



USAID
FROM THE AMERICAN PEOPLE

INDONESIA

ECONOMIC GROWTH STRENGTHENED AND EMPLOYMENT CREATED

MAY 2006



Photo: Visi Anak Bangsa

THE CHALLENGE

5.5% GDP growth for 2005 and 6.0% projected for 2006 will not absorb the annual influx of over two million job-seekers, nor will it fuel increases in household income.

The World Bank calculates that it takes 151 days to register a business, and more than 5 years to execute bankruptcy proceedings.

Corruption is pervasive and deters investment. Indonesia ranks 140 out of 159 countries on the Transparency International Corruption Perception index.

THE GOAL

Increased growth, jobs and prosperity.

Improved investment and business climates, and transparency.

Increased exports and foreign direct investment.

Improved financial sector safety and soundness.

OVERVIEW

The U.S. government is providing \$87 million over five years (2004-2008) to assist Indonesia with its economic transition. Assistance to the Indonesian Government and private sector focuses on creating jobs by improving the business and investment climate, combating corruption, increasing competitiveness in key sectors, and improving the safety of the financial system. Through USAID, the U.S. is working with Indonesians to ensure that future generations enjoy an increasingly prosperous, democratic and stable country.

PROGRAMS

Increased productivity, income and prosperity are key to Indonesia's future economic success. These goals underlie our program. Assistance will build a safe and sound financial system by strengthening key institutions, and will improve the business and investment climates by promoting enterprise development. All initiatives will directly or indirectly promote transparency in order to combat corruption, financial crimes and terrorist finance.

BUSINESS CLIMATE & ENTERPRISE DEVELOPMENT

Efforts to promote a transparent and predictable legal and regulatory business climate aim to reduce the hidden costs of doing business, to reduce uncertainty, and to promote trade, investment and job creation. USAID delivers technical assistance to leading industry sectors in an effort to fuel growth, exports, jobs and prosperity. These efforts drive increased productivity and national competitiveness by forging stronger coalitions of public, private and civil society advocates for legal, regulatory and policy change.

FINANCIAL SECTOR SAFETY AND SOUNDNESS

USAID is working to improve the oversight of bank and non-bank financial intermediaries in order to promote safety and soundness in the financial system, and to improve transparency and governance.

PROGRAM HIGHLIGHTS

USAID is providing technical assistance to Indonesia's Financial Intelligence Unit, the Ministry of Finance, the Corruption Eradication Commission, the Attorney General's Office, and other government bodies involved in the detection and prevention of financial crimes and terrorist finance. USAID assistance includes drafting the Anti-Money Laundering Statutes and implementing regulations, and the Government Regulations on Witness Protection.

As a result of the Government's commitment and USAID's technical and financial assistance, Indonesia was removed from the international "black-list" of Non-Cooperating Countries and Territories on February 11, 2005. On February 17, 2006, the Financial Action Task Force Plenary Meeting (FATF) announced that Indonesia has made substantial progress in all six key

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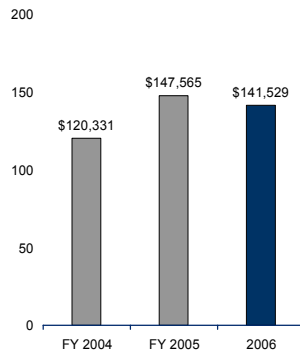


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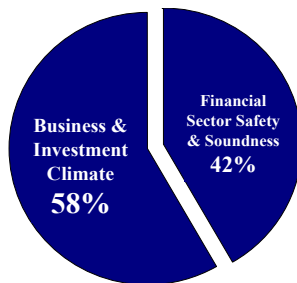
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USAID ASSISTANCE TO INDONESIA



Funding: Child Survival and Health Funds, Development Assistance, Economic Support Funds, PL 480 Title II (includes emergency and non-emergency food aid)

FY 2006 Budget for Economic Growth
Percentage for Each Program Area



Total FY 2006 for
Economic Growth: \$21,950,000

monitoring areas and that the direct monitoring of Indonesia by FATF regarding money laundering has ceased.

The Indonesia Trade Assistance Project (I-TAP) started in January 2006. I-TAP will assist in capacity building within the Ministry of Trade to analyze and implement trade reform that will promote increased exports, an improvement in the investment climate, and increased employment.

The Indonesia Anti-Corruption and Commercial Court Enhancement (In-ACCE) project was awarded in December 2005. The project's objective is to assist Indonesia's Supreme Court to implement its 2004 Blueprint for the development of the Commercial Court and the establishment of the Anti-Corruption Court.

Started in September 2005, the Indonesia Competitiveness Program (SENADA) seeks to generate jobs and income by promoting competitiveness and productivity within key Industry Value-Chains (IVCs) to create increased market share in both domestic and world markets. Three industries, footwear, automotive spare-parts and information, communication and technology, have been selected, and another three will be determined in the coming months.

Completed in December 2005, the "Success Alliance" Project was a successful activity to promote and improve the quality of Indonesia's cocoa. USAID supported this public/private partnership activity with Masterfoods (formerly Mars Candies), The World Cocoa Foundation, and ACDI/VOCA. More than 60,000 farmers were trained, and the Project invested close to \$2 million dollars for research, training and marketing sub-awards.

The Deposit Insurance Corporation or Lembaga Penjamin Simpanan (LPS) began operating on September 22, 2005. USAID is providing technical assistance to assist Indonesia in creating its modern deposit insurance scheme. At the LPS launch on October 25, 2005, the U.S. Ambassador to Indonesia, B. Lynn Pascoe, transferred \$50,000 in information technology equipment financed by USAID.

USAID entered into a Development Credit Authority Agreement with Bank Danamon on September 28, 2005. This \$8.2 million loan portfolio guarantee program mobilizes financial services to micro and small enterprises nationwide and in tsunami affected areas.

The Ministry of National Education granted a license in late September 2005 for the establishment of the Institute of Risk Management, providing undergraduate studies specializing in risk management for insurance.

In cooperation with The Asia Foundation, USAID opened 15 one-stop-shops that now register businesses more efficiently, and less expensively. This activity is now replicated in other regions through another project, PROMIS, also in cooperation with The Asia Foundation.

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PRESS AND OUTREACH

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